
MONTH IN REVIEW: DECEMBER 1998

Reports, Testimony, Correspondence, and Other Publications

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Agriculture and Food

Farm Service Agency: Information on Farm Loans and Losses

GAO/RCED-99-18, Nov. 27 (15 pages).

The unpaid principal on the Farm Service Agency's active direct farm loan portfolio totaled about \$9.7 billion at the end of fiscal year 1997. Delinquent borrowers held about \$2.7 billion—or 28.2 percent—of this amount. The size of the agency's portfolio, as well as the percentage held by delinquent borrowers, has decreased since 1995, when the portfolio totaled \$11.4 billion, of which 40.7 percent was held by delinquent borrowers. In fiscal years 1996 and 1997, the agency wrote off about \$1.9 billion in principal and interest owed on farm loans. For fiscal years 1989 through 1997, the agency wrote off \$15.2 billion in direct farm loans for nearly 80,000 borrowers. About \$1.7 billion of the agency's losses resulted from reducing the debts of borrowers whose loans were restructured, and about \$2.4 billion resulted from forgiving the debts of those who made buyout payments. Most of the write-off—about \$11.1 billion—occurred through debt resettlement. Since the enactment of the 1996 farm bill through June 1998, the Farm Service Agency made or guaranteed \$54.2 billion in new farm operating loans to 690 borrowers whose debts had been reduced when their earlier farm loans were restructured. Most of the 690 borrowers who received loans obtained direct farm operating loans, and about 23 percent obtained guaranteed farm operating loans.

U.S. Department of Agriculture: Similarities Between the Activities of the Department and Other Federal Agencies

GAO/RCED-99-35, Dec. 9 (30 pages).

The Department of Agriculture (USDA) is one of the oldest and largest agencies in the federal government. The Department's original mission—to conduct activities related to agriculture—has expanded significantly. Today, USDA runs more than 200 programs in such diverse areas as food safety, international trade, and land management. This report identifies USDA's activities that are similar to those of other federal agencies and discusses USDA's efforts to comply with the Government Performance and Results Act.

Energy

Department of Energy: Management of Excess Property

GAO/RCED-99-3, Nov. 4 (16 pages).

The Department of Energy (DOE) reported that for fiscal year 1997 it had more than \$20 billion in property, some of which is no longer needed now that the Cold War has ended. DOE acknowledges that it needs to reduce inventories of property and equipment and estimates that, for its largest environmental management sites, it spends about 20 percent of its annual budget to maintain their facilities and infrastructure. Federal property management regulations include criteria to determine when real property—land, improvements, and structures—is excess to an agency’s needs. However, neither federal property management regulations nor DOE regulations and guidance include specific criteria to determine when personal property, including computers and cars, is no longer needed. DOE’s property records do not consistently provide information to help identify property that is no longer needed. DOE acknowledges problems with its identification and disposal of excess real and personal property. Because the costs associated with the maintenance and storage of unneeded property are generally not separately identified, little incentive exists to spend the resources necessary to dispose of it. Regardless of these problems, field and program offices have developed innovative approaches to dispose of property, such as including a performance-based incentive in the site management contract to encourage the contractor operating the site to dispose of excess property during the fiscal year.

Nuclear Weapons: Key Nuclear Weapons Component Issues Are Unresolved

GAO/RCED-99-1, Nov. 9 (29 pages).

The Department of Energy (DOE), which manages the nation’s stockpile of nuclear weapons, lacks the ability to produce a key nuclear weapons component for use in the stockpile. The component is a trigger, or “pit,” which is made from plutonium and is needed to start a chain reaction in a nuclear weapon. DOE lost its capability to make pits when production stopped at DOE’s Rocky Flats Plant in Colorado in 1989. DOE is reestablishing the capability to manufacture pits at its Los Alamos National Laboratory in New Mexico. This report discusses (1) DOE’s plans and schedules for reestablishing the manufacturing of pits at Los Alamos, (2) the costs associated with these efforts, and (3) unresolved issues

regarding the manufacturing of pits between the Defense Department and DOE.

**Federal Power:
Regional Effects of Changes in PMAs' Rates**

GAO/RCED-99-15, Nov. 16 (108 pages).

To deliver electric power to large parts of rural America, the government created five power marketing administrations (PMA) during the New Deal, along with the Tennessee Valley Authority. Now that nearly all of America has electricity, some believe that the PMAs should be divested, particularly because greater competition exists in the electricity industry. Others suggest that the PMAs be required to operate more like private utilities, including charging market rates for power. However, the PMAs sell power primarily to preference customers—cooperatives and public bodies, such as municipal utilities, irrigation districts, and military installations—at average rates that, from 1990 to 1995, were from 40 to 50 percent below the rates that nonfederal utilities charged. Concerns have been raised that a change in PMAs' ownership or the way in which they set rates could boost rates and harm the rural and poor areas they serve. Those raising such concerns believe that the PMAs should continue to operate as they do now. This report provides a state-by-state analysis of the preference customers who buy power from the Southeastern Power Administration, the Southwestern Power Administration, and the Western Area Power Administration. GAO (1) identifies the extent to which preference customers' rates may change if market rates are charged, (2) the areas the three PMAs' preference customers serve, and (3) the incomes in these areas and the extent to which they are rural or urban.

**Climate Change:
Basic Issues in Considering a Credit for Early Action Program**

GAO/RCED-99-23, Nov. 27 (24 pages).

Under the Voluntary Reporting Program, as directed by the Energy Policy Act of 1992, organizations could voluntarily submit information on their efforts to reduce greenhouse gas emissions to the Department of Energy (DOE) and have that information entered into a public database. DOE specifically designed the program to encourage voluntary participation by offering potential participants flexibility in what they reported and how they estimated their emissions reductions. This report answers the

following questions: (1) What are some of the basic issues that will have to be addressed by any effort to develop a credit for early action program? (2) How might claims for reductions of greenhouse gas emissions that are reported to the Voluntary Reporting Program fare under a credit for early action program that has less flexible reporting criteria? GAO also discusses other issues about a credit for early action program that may need to be addressed before the program can be finalized.

**Energy Deregulation:
Status of Natural Gas Customer Choice Programs**

GAO/RCED-99-30, Dec. 15 (63 pages).

American consumers and commercial users spent \$45 billion in 1996 on natural gas to heat and cool homes and offices, cook food, and provide power to other household and business appliances. Under the Natural Gas Policy Act of 1978, homes and small businesses can choose their natural gas supplier, much as they now choose their long-distance telephone provider. Under a customer choice program, nonutility gas suppliers, called gas marketers, buy gas and arrange for its transportation to the local gas utility. Local gas utilities, while no longer buying gas directly for their customers, continue to deliver it to home and businesses. Proponents of customer choice programs believe that allowing choice will mean competition, thus leading to lower gas prices and greater service options for consumers. Others are concerned about the reliability of service and the possible market power of gas suppliers if regulated gas utilities are no longer responsible for buying gas on behalf of their customers. This report discusses (1) initial participation in customer choice programs and (2) the effects of these recent customer choice initiatives on residential and small commercial consumers.

**Environmental
Protection**

**Hazardous Waste:
Unaddressed Risks at Many Potential Superfund Sites**

GAO/RCED-99-8, Nov. 30 (77 pages).

GAO found that nearly 1,800 of the 3,036 sites that the Environmental Protection Agency's (EPA) database classified as "awaiting a National Priorities List decision" in October 1997 are still potentially eligible for placement on the list. Officials of EPA, other federal agencies, and states said that many of these potentially eligible sites present risks to human

health and the environment. According to these officials, about 73 percent of the sites have contaminated groundwater, and another 22 percent of the sites have the potential to do so in the future. Moreover, about 32 percent of the sites have contaminated drinking water sources, and another 56 percent could potentially do so. The potentially eligible sites are generally found in populated areas. Officials said that some cleanup actions—which they did not characterize as full cleanup actions—have taken place at 686 of the potentially eligible sites. At the other 1,103 potentially eligible sites, no cleanup measures beyond initial site assessments or investigations have been conducted, or no information is available on any such actions. Many of these sites have been in the states' and EPA's inventories of hazardous sites for years. Seventy-three percent have been in EPA's inventory for more than a decade. No cleanup progress was reported at the majority of the sites that have been known for 10 years or longer. Officials did not indicate whether or how more than half of the potentially eligible sites would be cleaned up.

**Hazardous Waste:
Information on Potential Superfund Sites**

GAO/RCED-99-22, Nov. 30 (463 pages).

GAO surveyed Environmental Protection Agency (EPA) regions, other federal agencies, and the states to determine which of the 3,036 sites cited by EPA's database as potentially eligible for the National Priorities List are still potentially eligible. GAO also obtained information on the nature and the extent of the threat they pose to human health and the environment; any cleanup actions that EPA and the states may have taken at the sites; and any cleanup plans that EPA and the states have for them, including possible placement on the National Priorities List. GAO also provides information on sites whose placement on the National Priorities List has been blocked by state governors. Finally, GAO identifies sites classified as awaiting a National Priorities List decision as of October 1997 that are unlikely to become eligible for the list and explains why they are unlikely to become eligible.

Financial Management

District of Columbia: Presentation of the Authority's Financial Information for Fiscal Years 1997 and 1996

GAO/AIMD-99-22, Dec. 2 (27 pages).

This report compares the District of Columbia Financial Responsibility and Management Assistance Authority's audited financial statements and management letters for fiscal years 1996 and 1997 to the District's Comprehensive Annual Financial Report. GAO discusses whether there was agreement of accounts and consistency of presentation regarding the Authority's financial information and why the District's internal control weakness that related to the Authority was not identified in the audit report on the Authority's financial statements. GAO also provides information on (1) the Authority's use of interest income from escrow accounts established on behalf of the District, (2) the Authority's purpose for the transaction entitled "Taxable Equipment Lease/Purchase Agreement," and (3) the status of the Authority's implementation of GAO's suggestion for improving its financial reporting.

Correspondence

Internal Controls: Reporting Air Force Vendor Payment System Weaknesses Under the Federal Managers' Financial Integrity Act.
GAO/AIMD-99-33R, Dec. 21.

Government Operations

Managing for Results: Measuring Program Results That Are Under Limited Federal Control

GAO/GGD-99-16, Dec. 11 (24 pages).

In the spring of 1998, federal agencies submitted their first annual performance plans under the Government Performance and Results Act. GAO found that many of these initial performance plans faltered at their central task: developing measurable goals for the results or outcomes that their programs are intended to achieve. A common challenge for many federal agencies is to develop goals for outcomes that are the results of phenomena outside of the government's control. Indeed, many, if not most, federal programs seek to improve complex systems, such as the economy or the environment, or share responsibilities with other agencies for achieving their objectives. As a result, they confront the challenge of

setting goals that are both far-reaching and can be realistically affected by the programs. To help agencies identify methods for developing such goals, GAO examined six programs—the Job Training Partnership Act, the National Highway Traffic Safety Administration, the Natural Resource Conservation Service, the Occupational Safety and Health Administration, the Safe Drinking Water Program, and Title I: Education Assistance—as case studies of how agencies were able to develop performance measures for outcome goals that are affected by external factors. GAO discusses the strategies that these six programs used to set outcome goals.

Correspondence

District of Columbia: Chronology of Events Related to the Metropolitan Police Department's Use of \$15 Million Appropriation. [GAO/AIMD-99-39R](#), Dec. 16.

Decennial Census: Information on the Census Bureau's Plan for Conducting the 2000 Census Without Statistical Sampling. [GAO/GGD-99-12R](#), Dec. 17.

Unemployment Insurance for Temporary Census Employees. [GAO/GGD-99-13R](#), Dec. 18.

Health

Medical Savings Accounts: Results From Surveys of Insurers

[GAO/HEHS-99-34](#), Dec. 31 (17 pages).

The Health Insurance Portability and Accountability Act of 1996 established a demonstration of medical savings accounts and directed GAO to contract for a study of them. GAO issued an interim report last year. (See [GAO/HEHS-98-57](#), Dec. 1997.) This is the final report of the study. GAO originally planned to survey medical savings account enrollees and employers to obtain a consumer perspective and to survey insurers and financial institutions to obtain a supplier perspective. GAO competitively awarded four contracts to companies with experience in health economics, health insurance, and actuarial science and chose Westat and its partners to design an enrollee survey and to complete a study of insurers' responses to medical savings accounts. However, the relatively low enrollment in medical savings accounts made it impossible to conduct useful surveys of enrollees, employers, or financial institutions at a reasonable cost. Consequently, GAO did not initiate them. The information

obtained for this study comes only from insurers, limiting the extent to which the evaluation can address the issues in the mandate.

**Teen Pregnancy:
State and Federal Efforts to Implement Prevention Programs and
Measure Their Effectiveness**

GAO/HEHS-99-4, Nov. 30 (47 pages).

The federal government provides millions of dollars to support efforts to prevent teen pregnancy. GAO reviewed eight states—California, Georgia, Illinois, Louisiana, Maine, Maryland, Oregon, and Vermont—with longstanding teen pregnancy prevention strategies in place. This report discusses (1) state strategies to reduce teen pregnancy and how states fund these efforts, (2) how welfare reform affected states' strategies, (3) the extent to which programs that are parts of states' prevention strategies are evaluated, and (4) what teen pregnancy prevention activities the federal government supports.

Correspondence

Medicare: Coverage of Pumps Used to Administer Intravenous Drugs.
GAO/HEHS-99-16R, Nov. 16.

Housing

**Welfare Reform:
Effect on HUD's Housing Subsidies Is Difficult to Estimate**

GAO/RCED-99-14, Dec. 7 (27 pages).

Because about one-fourth of the residents of public and assisted housing rely on cash assistance for some or all of their income, welfare reform could have a financial impact on the Department of Housing and Urban Development (HUD), which subsidizes housing agencies' operations and tenants' rents, as well as on the housing agencies and private landlords that depend on HUD subsidies. As a result of changing welfare and housing policies and the complexity of these programs, this financial impact has not yet been estimated with any certainty. This report determines (1) what studies have been done on welfare reform's financial impact on public and/or assisted housing and (2) what methodological and data issues, if any, arise when researchers estimate welfare reform's financial impact on low-income housing.

Income Security

Correspondence

Improving Financial Condition of the Pension Benefit Guaranty Corporation and Insured Pension Plans. [GAO/HEHS-99-37R](#), Dec. 18.

Information Management

Air Traffic Control: Status of FAA's Modernization Program

[GAO/RCED-99-25](#), Dec. 3 (96 pages).

In late 1981, the Federal Aviation Administration (FAA) began a modernization program to replace and upgrade the national airspace system's equipment and facilities to meet expected increases in traffic volume, enhance air safety, and increase the efficiency of the air traffic control system. Historically, the modernization program has experienced difficulty meeting cost, schedule, and performance goals. As a result, promised benefits from the new equipment have been delayed, and the aviation community's confidence in FAA's ability to manage the modernization effort has been weakened. During the past year, FAA, in collaboration with the aviation community, has taken steps to restructure its multibillion-dollar modernization program to achieve a more gradual and cost-effective approach by, among other things, limiting the scope of projects to more manageable segments. This contrasts with the previous approach in which the agency sought to develop highly complex software-intensive systems all at once and often set unrealistic cost, schedule, and performance goals. Under FAA's new approach, the agency plans to implement a new way of managing air traffic, known as "free flight," to improve the system's safety, efficiency, and capacity. Under its most recent financial plan, FAA estimates the cost of modernization will total nearly \$42 billion from fiscal years 1982 through 2004—a \$3.8 billion increase since the agency's last financial plan in February 1998. In addition to the status of the overall modernization program, GAO discusses the status of 18 key modernization projects and the challenges facing FAA's overall modernization program.

**HUD Information Systems:
Improved Management Practices Needed to Control Integration
Cost and Schedule**

GAO/AIMD-99-25, Dec. 18 (43 pages).

The Department of Housing and Urban Development (HUD) has spent hundreds of millions of dollars during the past seven years to develop an integrated financial management system. The system is intended to provide timely and accurate information to management and enable HUD to properly manage its financial resources. Although this effort has not yet been completed, HUD has developed and deployed various modules and systems for 12 of the 14 projects initiated under the 1993 and 1997 financial systems integration strategies. The agency, however, lacks the rigorous processes needed to accurately determine how much more it will cost or how much longer it will take to achieve its financial systems integration objective, whether its efforts so far have achieved expected results, or whether its latest strategy is cost beneficial. Cost increases and schedule delays have been caused by (1) changes to the financial systems integration strategy that were not supported by thorough analyses and (2) inadequate project management and oversight. The Year 2000 computing crisis has also affected the FHA Mortgage Insurance System effort. Moreover, HUD's latest actions to establish new financial systems integration management teams and to increase its project management training program do not address and cannot correct the root cause of the problems—the lack of a data-driven management process to properly oversee and control information technology investments, such as financial systems integration. HUD has yet to implement a disciplined investment management process to select, control, and evaluate financial systems integration projects in accordance with industry best practices and as required by the Clinger-Cohen Act and the Paperwork Reduction Act.

Correspondence

Status Information: FAA's Year 2000 Business Continuity and Contingency Planning Efforts Are Ongoing. GAO/AIMD-99-40R, Dec. 4.

International Affairs

**Cuban Embargo:
Selected Issues Relating to Travel, Exports,
and Telecommunications**

GAO/NSIAD-99-10, Dec. 1 (34 pages).

In 1962, the United States imposed an economic embargo against Cuba that has been modified over the years by legislation and presidential actions. This report reviews the implementation and the monitoring of embargo provisions affecting travel, telecommunications, and trade. GAO examines (1) whether the decision of the Treasury Department's Office of Foreign Assets Control to allow authorized U.S. travelers to fly directly to Cuba by taking chartered aircraft that touched down and changed flight numbers in third countries and then flew on to Cuba was consistent with U.S. law; (2) whether a telecommunications agreement between International Telephone and Telegraph and an Italian communications company was consistent with U.S. law; (3) how U.S. products can be available in Cuba; and (4) how U.S. agencies license and monitor U.S. travelers and companies, including licensed air carrier providers, and exports that are affected by the embargo's restrictions. GAO also discusses whether the executive branch's changes to the embargo in 1998 were consistent with U.S. law. GAO also provides information on the telecommunications provisions of the Cuban Democracy Act of 1992, Cuba's imports, and U.S. restrictions on imports containing Cuban components.

Correspondence

Foreign Assistance: U.S. Assistance for Elementary and Preparatory Schools in the West Bank and Gaza Strip. [GAO/NSIAD-99-48R](#), Dec. 15.

Justice and Law Enforcement

Private Banking: Raul Salinas, Citibank, and Alleged Money Laundering

[GAO/OSI-99-1](#), Oct. 30 (21 pages).

Raul Salinas, brother of the former President of Mexico, was able to transfer as much as \$100 million between 1992 and 1994 by using a private banking relationship with Citibank New York. The money was transferred through Mexico and New York to private banking investment accounts in London and Switzerland. Beginning in mid-1992, Citibank assisted Mr. Salinas with these transfers and effectively disguised the funds' source and destination, thus breaking the funds' paper trail. Citibank set up an offshore private investment company to hold Mr. Salinas' assets, waived bank references for Mr. Salinas and did not prepare a financial profile on him or request a waiver for the profile (as required by Citibank policy), facilitated Mrs. Salinas' use of another name to initiate fund transfers in Mexico, and wired funds from Citibank Mexico to a Citibank New York

concentration account—a business account that commingles funds from various sources—before forwarding them to the offshore investment accounts. No U.S. documentation identified Mr. Salinas as the owner of the offshore private investment company or connected Mr. Salinas to the offshore private investment company funds transferred through Citibank Mexico and Citibank New York. Limited by an ongoing Justice Department investigation, GAO could not determine whether Citibank's actions violated any laws or regulations. Citibank's actions and testimony in a 1994 money laundering trial were inconsistent concerning due diligence and know-your-customer practices in private banking. For example, Citibank's testimony implied a stricter adherence to due diligence than actually occurred during the Salinas transactions.

National Defense

Military Bases: Status of Prior Base Realignment and Closure Rounds

GAO/NSIAD-99-36, Dec. 11 (99 pages).

By September 1998, the Defense Department (DOD) had completed actions on about 85 percent of the 451 recommendations made by the four base realignment and closure commissions. DOD declared about 464,000 acres of base property as excess. Forty-six percent of the unneeded property was to be kept by the federal government; 33 percent was slated for nonfederal users, such as state and local authorities or private parties; and the disposition of the rest was undecided. By 2001, DOD estimates that it will have spent \$23 billion on base realignments and closures and saved \$37 billion, for a net savings of \$14 billion. Beyond 2001, when the last of the four rounds of base closures and realignments is complete, DOD expects to save \$5.7 billion annually. However, the cost estimates omit some federally incurred costs, while the savings estimates have not been routinely updated and are thus imprecise. A major cost factor in base realignments and closures, as well as a major obstacle to the disposal of unneeded property, is the need for environmental cleanup at these bases. Available military data suggest that the total environmental cost will top \$9 billion; the cleanup efforts, including monitoring, will extend well beyond 2001; and the potential for higher costs exists. Most communities adjoining closed bases are faring well economically in relation to the national average.

Environmental Cleanup: Defense Funding Allocation Process and Reported Funding Impacts

GAO/NSIAD-99-34, Nov. 16 (19 pages).

Members of Congress have raised concerns about how the military's initiatives to better target environmental cleanup funds have been affected by the availability of funds. GAO found that the Defense Department (DOD) uses its planning, programming, and budgeting process to make funding decisions, and DOD components ultimately make site-specific decisions. When DOD received less money than requested or rescissions occurred, Environmental Security provided written or oral guidance for DOD components' actions. Cleanup schedule delays occurred at installations when the funding received was more or less than planned. Reports of cleanup schedule and other impacts varied according to individual project circumstances and were not clearly linked to installation planned and allocated funding levels.

Army Medium Trucks: Acquisition Plans Need Safeguards

GAO/NSIAD-99-28, Nov. 19 (37 pages).

The Army's modernization of its fleet of medium tactical vehicles, at a projected cost of \$15.7 billion, is one of the Army's largest acquisition programs. From 1991 through 2022, the Army plans to buy more than 85,000 trucks to replace its aging fleet of medium trucks. The new trucks, part of the Family of Medium Tactical Vehicles (FMTV), are 2.5- and 5-ton trucks based on a common truck cab and chassis. GAO found that the Army's plans for implementing its follow-on production contracts need to ensure that the government receives trucks that meet FMTV program standards. The current contract allowed the contractor to produce trucks even though they were unable to pass testing and show that they met performance and reliability, availability, and maintainability standards. These trucks required modifications to achieve satisfactory performance that caused program delays. In addition, the Army relaxed its final acceptance inspection method from a 100-percent inspection to a sampling inspection method without validating that the contractor's production processes ensured that the trucks met quality standards. Recent government inspection data and quality deficiency reports on trucks in the field show that the contractor is not consistently producing trucks with the quality standards set for FMTV trucks. The Army plans to compete

future procurement of these trucks with the expectation that program costs can be reduced. Therefore, it has decided to develop a second source to produce the trucks. The current contractors and second source will share the annual production. However, the Army has not determined the costs and the benefits of this plan or compared it to other alternatives. GAO's preliminary analysis of the production quantities that the two contractors could expect to share from the competition indicates that the Army's plan may not yield cost savings.

**Defense Industry:
Restructuring Costs Paid, Savings Realized, and Means to
Ensure Benefits**

GAO/NSIAD-99-22, Dec. 1 (20 pages).

GAO reported in April 1998 that the Defense Department (DOD) estimated it would save \$3.3 billion between 1993 and 2000 from restructuring activities carried out by seven business combinations. GAO also reported that DOD estimated that it had realized savings of about \$1.9 billion as of August 1997, or more than half of the expected savings. Now, DOD estimates it has realized savings of about \$2.1 billion, or 64 percent of the expected savings. Although GAO found that selected restructuring activities have lowered the operational costs of the business combinations by hundreds of millions of dollars, it was not feasible to develop a methodology to precisely determine how contract prices were affected. To make such a determination requires isolating the impact of restructuring from nonrestructuring-related factors, such as changes in business volume, quantities purchased, and accounting practices. DOD, the contractors, and GAO were unable to isolate the effects of restructuring from those of other factors. However, other methods exist through which DOD can ensure that it receives its fair share of restructuring savings in a timely manner.

**Contract Management:
Recovery Auditing Offers Potential to Identify Overpayments**

GAO/NSIAD-99-12, Dec. 3 (16 pages).

Recent legislation requires the Defense Department (DOD) to conduct a demonstration program to evaluate the feasibility of using private contractors to identify overpayments DOD has made to vendors. GAO reviewed the program and found that the contractor has identified

overpayments of \$19.1 million and is working to identify additional overpayments. This magnitude of overpayments would likely not have been identified by the Defense Finance and Accounting Service without the demonstration program. However, government efforts to collect these overpayments have been slow—only about \$1.9 million has been recovered—largely because the recovery process stopped for eight months while the Defense Supply Center in Philadelphia reviewed vendors' complaints. Although the Defense Supply Center has concluded that the government's claims are valid, it has yet to issue letters notifying vendors of the final decision about the amounts owed.

**Weapons Acquisition:
Guided Weapon Plans Need to Be Reassessed**

GAO/NSIAD-99-32, Dec. 9 (64 pages).

During the next 10 years, the Defense Department (DOD) plans to invest about \$16.6 billion to procure guided weapons that can be used for deep attack missions. GAO found that the acquisition plans for guided weapons are based on optimistic funding projections, requirements for guided weapons appear to be inflated, capabilities and acquisition programs for guided weapons have proliferated, and oversight of requirements and acquisition programs for guided weapons needs improvement. GAO makes several recommendations to the military, including one to reevaluate the acquisition programs for the planned deep attack weapon in light of existing capabilities and the current budgetary and security environment.

**Unmanned Aerial Vehicles:
Progress Toward Meeting High Altitude Endurance Aircraft
Price Goals**

GAO/NSIAD-99-29, Dec. 15 (nine pages).

GAO reviewed the high altitude endurance unmanned aerial vehicle program and found that the Defense Department (DOD) does not expect to produce the Darkstar or Global Hawk aircraft within its goal of \$10 million per plane. DOD's price projections are now \$13.7 million for Darkstar and \$14.8 million for Global Hawk. In addition, these projections may understate the actual amount by which the vehicles' unit price will exceed the \$10 million threshold because DOD officials, in their agreements with contractors, used a definition of unit flyaway price that excludes several cost categories that are traditionally included in determining unit flyaway

cost. Including these costs will increase the average unit price of each plane.

Natural Resources

Forest Service Management: Little Has Changed as a Result of the Fiscal Year 1995 Budget Reforms

GAO/RCED-99-2, Dec. 2 (48 pages).

The Forest Service's management of the National Forest System has not appreciably changed as a result of the greater flexibility offered by the fiscal year 1995 budget reforms. Specifically, consolidating the line items was intended to provide field managers with greater discretion in deciding where to spend funds to better achieve the agency's goals and objectives. However, (1) some field offices have continued to distribute and track money as if the consolidation had not occurred and (2) the budget is still structured primarily by individual resource-specific programs, such as those for timber sales and wildlife habitat management. The reforms also expanded the Forest Service's authority to move funds between the line items without the approval of the Appropriations Committees. However, the agency has seldom requested such approval either before or after the reforms. Finally, the reforms restructured the agency's budget so that all the funding for a project is consolidated in the program that will benefit most from that project. However, for various reasons, including underestimating a project's costs, a benefiting program may not have the funds needed to implement a project. In these instances, it may require other programs that are providing support services to absorb the costs of those services. The Forest Service has not provided Congress with the improved accountability that the Appropriations Committees requested when they gave the agency increased flexibility over its budget. As a result, Congress and other interested parties do not have an adequate measure of the agency's funding needs or its progress toward achieving its goals and objectives.

Federal Land Management: Appraisals of Headwaters Forest Properties

GAO/RCED-99-52, Dec. 24 (22 pages).

Congress appropriated up to \$250 million to preserve the Headwaters Forest in Humboldt County, California, by acquiring the 4,500-acre

Headwaters Forest and about 3,000 acres of adjoining timberland. The Headwaters Forest includes the largest grove of virgin, old-growth redwood trees in private ownership. The 7,500 acres are owned by the Pacific Lumber Company and the Elk River Timber Company. In September 1996, the federal government, the state of California, Pacific Lumber's parent company, and Pacific Lumber signed an agreement for the federal and California governments to acquire the properties in exchange for \$380 million in cash and assets from the United States and California. As part of the agreement, California will contribute \$130 million to buy the properties. GAO reviewed the appraisals of the Headwaters and Elk River properties and did not identify areas in which the appraisals deviated from federal appraisal standards. GAO also did not find that the use of assumptions in the appraisal was unreasonable given the imprecision involved in appraising timber properties and the unique circumstances of this property.

Social Services

Welfare Reform: Implementing DOT's Access to Jobs Program

GAO/RCED-99-36, Dec. 8 (18 pages).

Welfare reform specialists contend that transportation is an important element in moving people from welfare to work. Three-fourths of welfare recipients live in either central cities or rural areas, while two-thirds of the new jobs are in the suburbs. The effects of this geographic mismatch are compounded by the low rate of car ownership among welfare recipients. The Transportation Equity Act for the 21st Century authorized a welfare-to-work program known as the Access to Jobs and Reverse Commute Program. The program will provide grants to local agencies and authorities, nonprofit groups, and transit authorities to improve mobility for employment. GAO is required to review the program every six months. This, the first report in response to this requirement, describes the Transportation Department's (1) overall plan to distribute Access to Jobs funds among grantees in urban and rural areas; (2) criteria to award specific Access to Jobs grants to states, localities, and other organizations; (3) efforts to coordinate the Access to Jobs program with other welfare-to-work programs; and (4) proposals to evaluate the program's success.

Tax Policy and Administration

Tax Administration: IRS' 1998 Tax Filing Season

GAO/GGD-99-21, Dec. 31 (60 pages).

Internal Revenue Service (IRS) indicators show that IRS generally met or exceeded its performance goals for the 1998 tax filing season. Included in IRS indicators are measures of the timeliness of its processing of refunds, the accessibility of its telephone service, the accuracy with which it processes returns, and the accuracy of the assistance it gives over the telephone. Although millions of taxpayers used the services provided by IRS' walk-in sites during the 1998 tax filing season, the agency lacked meaningful nationwide data for assessing the performance of those sites. This report also discusses six specific areas: (1) IRS efforts to increase the use of electronic filing; (2) IRS' progress in addressing an issue discussed in GAO reports on the 1996 and 1997 filing seasons involving the use of private banks to process some tax payments; (3) IRS' implementation of the 1997 tax law change dealing with capital gains; (4) the status of IRS' efforts to reduce Earned Income Credit noncompliance; (5) the ability of taxpayers seeking assistance to reach IRS by telephone; and (6) other IRS efforts to provide information to taxpayers, such as its web site on the Internet and TeleTax. GAO also discusses IRS' test of a new processing system that has implications for future filing seasons.

Tax Administration: IRS' Audit and Criminal Enforcement Rates for Individual Taxpayers Across the Country

GAO/GGD-99-19, Dec. 23 (39 pages).

Some observers have raised questions about whether the Internal Revenue Service (IRS) disproportionately audits or pursues criminal investigations of taxpayers in some parts of the country. For example, an April 1997 study concluded that IRS enforced the tax laws at higher rates in the South compared to the rest of the country. IRS officials identified several factors to explain variations across the country in audit, criminal investigation initiation, and prosecution referral rates for individual taxpayers. The main factor was that the rates for civil and criminal tax noncompliance vary geographically. IRS officials also cited other factors that might affect geographic variations, such as the location of available audit and criminal investigation staff. Because various factors can affect the geographic variations in IRS' audit, criminal investigation initiation, and prosecution

referral rates, comparisons of these rates must be interpreted with caution. For the years 1992 through 1997 combined, the unadjusted audit rate for the Tennessee-Kentucky district was below the national average rate, and the South's rate was about at the national average. The six-year combined criminal investigation initiation and prosecution referral rates for the Tennessee-Kentucky district were below the national averages, and the South's rates were about at the national averages. IRS has established controls for its audits, criminal investigations, and prosecution referrals. These controls generally consist of standards to guide audit and investigation behavior, such as how auditors are to gather and document evidence and how criminal investigators are to conduct investigations of alleged criminal tax and nontax violations. GAO could not determine the extent to which IRS has used most of its controls over audits, criminal investigations, and prosecution referrals.

Transportation

Correspondence

Aviation Security: FAA's Deployments of Equipment to Detect Traces of Explosives. [GAO/RCED-99-32R](#), Nov. 13.

Airport Improvement Program: Planned Funding Under Letters of Intent. [GAO/RCED-99-33R](#), Dec. 9.

Special Publications

Executive Guide: Leading Practices in Capital Decision-Making

[GAO/AIMD-99-32](#), Dec. 1998 (76 pages).

Federal spending on major physical capital investments is projected to total more than \$68 billion in fiscal year 1999. Past management problems and years of budget restraints have underscored the need to strengthen capital decision-making and management. The Office of Management and Budget (OMB) and GAO have been promoting better decision-making practices to help ensure that the purchase of new assets and infrastructure have the highest and most efficient returns to the taxpayer and to the government and that existing assets will be adequately repaired and maintained. This executive guide summarizes 12 fundamental practices that have been successfully implemented by organizations recognized for

their outstanding capital decision-making practices. It also provides examples of leading practices from which the federal government may be able to draw lessons. In 1994 and 1995, GAO worked with OMB to produce guidance on evaluating information technology investments. GAO produced a leading practices guide in that instance as well and later produced additional guidance on information technology investments. The information provided in OMB's Capital Programming Guide and in this GAO executive guide applies to all forms of capital investment, including information technology, and should be used in conjunction with other GAO and OMB information technology guidance.

Reports on Agency Rules

GAO's Office of the General Counsel regularly issues legal decisions and opinions, reports on major rules issued by federal agencies prior to their implementation, and decisions resolving bid protests. These documents are posted daily and may be downloaded from GAO's home page on the World Wide Web (<http://www.gao.gov>).

The following is a list of reports on agency rules issued by the Office of the General Counsel. In addition to being available on the World Wide Web, these documents may also be obtained by using the order form in the back of this publication. Bid protest decisions are not included in this list.

Department of Health and Human Services, Food and Drug Administration: Regulations Requiring Manufacturers to Assess the Safety and Effectiveness of New Drugs and Biological Products in Pediatric Patients. [GAO/OGC-99-22](#), Dec. 21.

Department of Health and Human Services, Health Care Financing Administration: Medicare Program; Limited Additional Opportunity to Request Certain Hospital Wage Data Revisions for Fiscal Year 1999. [GAO/OGC-99-20](#), Dec. 8.

Department of Labor, Occupational Safety and Health Administration: Powered Industrial Truck Operator Training. [GAO/OGC-99-21](#), Dec. 16.

Department of the Interior, Fish and Wildlife Service: Migratory Bird Hunting: Late Seasons and Bag and Possession Limits for Certain Migratory Game Birds. [GAO/OGC-99-19](#), Nov. 27.

Department of the Treasury, Internal Revenue Service; Department of Labor, Pension and Welfare Benefits Administration; Department of Health and Human Services, Health Care Financing Administration: Group Health Plans and Health Insurance Issuers Under the Newborns' and Mothers' Health Protection Act. [GAO/OGC-99-12](#), Dec. 8.

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